

Message Text

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ACTION EUR-12

INFO OCT-01 ARA-06 ISO-00 EB-07 FEA-01 ERDA-05 AID-05

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E.O. 11652 N/A

TAGS: ENRG, EEWT, UR, MX

SUBJECT: POSSIBLE SOVIET/ALLIS-CHALMERS COLLABORATION ON MEXICAN
HYDROELECTRIC PROJECT

REF: A. MEXICO 5149 B. STATE 147700 C. MOSCOW 8885

USDOC FOR BEWT AND BIC

1. ALLIS-CHALMERS HAS PROPOSED TO SOVIET UNION THAT THEY DEVELOP
JOINT PROPOSAL FOR EQUIPMENT SALE TO MEXICO'S CHICOASEN HYDRO-
ELECTRIC PROJECT. PROPOSAL MADE JUNE 2 BY ARTHUR WASSERMAN,
A-C'S INDUSTRIAL BUSINESS DIRECTOR FOR EASTERN EUROPE, TO ENERGO-
MASHEKSPORT, SOVIET FOREIGN TRADE ORGANIZATIN RESPONSIBLE FOR SALES
OF HYDROELECTRIC PLANT EQUIPMENT. PARALLEL APPROACH MADE IN
WASHINGTON THROUGH SOVIET TRADE REPRESENTATIVE.

2. ACCORDING TO WASSERMAN, COMPANY DECIDED IT COULD NOT COMPETE
AGAINST SOVIET THREE PERCENT FINANCING AND THUS ADOPTED "IF YOU
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CAN'T LICK 'EM JOIN 'EM" STRATEGY. UNDER PROPOSAL SOVIETS WOULD

SUPPLY GENERATORS, WHERE THEY HAVE COMPARATIVE ADVANTAGE, AND A-C WOULD FURNISH TURBINES WITH REMAINING EQUIPMENT DIVIDED IN SOME EQUITABLE WAY THROUGH NEGOTIATION. WASSERMAN SAID COMPANY FLOATED IDEA WITH STATE AND COMMERCE BEFORE APPROACHING SOVIETS.

3. MEETING HAD BEEN REQUESTED WITH ENERGOMASHEKSPORT PRESIDENT, BUT WASSERMAN SEEN INSTEAD BY TWO WORKING-LEVEL OFFICIALS, V.P. SAVEL'YEV AND V.D. IVANOV, WHO ARE APPARENTLY RESPONSIBLE FOR CHICOASEN PROJECT. HE WAS SURPRISED, HOWEVER, BY THEIR UNFAMILIARITY WITH KEY DETAILS, SUCH AS DISTANCE FROM SEA AND ADEQUACY OF PORT FACILITIES. THEY WERE NON-COMMITTAL ON PROPOSAL AND SIMPLY PROMISED TO REPORT TO THEIR SUPERIORS. IF ENERGOMASHEKSPORT SIGNALS AGREEMENT IN PRINCIPLE, A-C WILL SEND IN SPECIALIST TEAM TO NEGOTIATE DETAILS.

4. ACCORDING TO WASSERMAN, SOVIET PRESTIGE IN HYDROELECTRIC EQUIPMENT FIELD HAS GROWN SO SUBSTANTIALLY IN RECENT YEARS THAT JOINT VENTURE WITH LEADING AMERICAN COMPANY WILL NOT PROVIDE SIGNIFICANT INCREMENT. A-C DOES NOT BELIEVE, THEREFORE, THAT THEY ARE ENHANCING SOVIETS' COMPETITIVE POSITION FOR FUTURE PROJECTS. STOESSEL

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